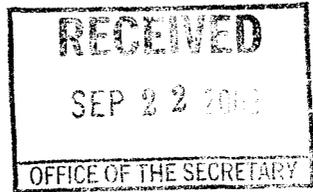


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Re: File No. S7-14-03



September 12, 2003

Jonathan G. Katz, Secretary
U.S. Securities and Exchange Commission
450 Fifth Street NW
Washington, DC 20549-0609

COMMENT ON SEC-PROPOSED RULE: NOMINATING COMMITTEE DISCLOSURES & COMMUNICATIONS BETWEEN SHAREOWNERS AND CORPORATE DIRECTORS

Dear Secretary Katz,

Harrington Investments, Inc. (HII) is a registered investment advisor managing over \$130 million in assets for individuals concerned with a social as well as financial return. Founded over twenty years ago, HII has been very involved in shareholder advocacy. We have filed many shareholder proposals over the years and have been in numerous dialogues with US corporations regarding various social and environmental issues. Hence, the Commission's solicitation of views regarding Nominating Committee policies and disclosures for Board nominations, and greater vehicles for security holders to communicate directly with Board members, (SEC proposed Rule S7-14-03) is very important to us. On behalf of my clients, I respectfully submit the following comments to the Securities & Exchange.

Investor-proposed nominees are rarely given consideration by management during the nominations process. Shareowners therefore rely on expensive and time-consuming proxy contests to bring attention to their candidates, who often lose in contested elections because management spends shareholder assets to oppose such investor nominees. While greater disclosure of the criteria and processes for nominating Board candidates will be quite useful to investors, it may be difficult for the SEC to eliminate boilerplate disclosures. The SEC should also not mistake the tide of letters in support of greater disclosure and communication channels with board members as a sign that shareholder access to the proxy for Board nominations is not needed by shareowners, for it is the crucial missing link in Board accountability and strong governance at most corporations.

Nominating Committee Disclosures

I fully support the recommendations that Nominating Committees disclose when they receive nominations from security holders, as well as the procedures for nominating candidates for the Board. I also support detailed disclosures regarding the qualifications of, and criteria for, Board candidates, including those suggested by investors.

I also strongly recommend additional disclosures regarding how the Nominating Committee takes the issue of Board diversity into account when considering candidates for the proxy ballot, and a description of how each candidate meets independence requirements outlined by the stock exchange listing reforms. A number of companies already disclose their commitment to Board diversity in their nominating charters, and diverse shareholder representation is a factor highlighted by TIAA-CREF in its guidelines on Corporate Governance. I further support transparency of the nominators behind candidates for the Board, including those proposed by management, Directors, shareholders, and Board search firms. This information is quite useful to investors in determining



conflicts of interest and the measure of independence Board candidates have from management, other Directors, and the company itself.

Shareholder Communications with Board Members

In my experience, Board members never respond to communications from shareowners. Calls, letters and emails are often routed through Investor Relations or corporate executives, who often decide to filter such correspondence. Most correspondence is never answered. Such procedures do not uphold the basic premise that Board members directly represent shareholders. The channel of communication between security holders and Boards should be quite clear, and easily accessible-- not buried 20 pages into a corporate web site. Just as the revised NYSE listing standards proposed direct channels for communicating with Audit Committees, should there be a problem, investors should have direct access -- via emails, phone numbers, faxes, and addresses -- to the Board members representing them, to discuss issues appropriate of Board attention. In over 20 years of managing assets, spending correspondence and introducing shareholder proposals, I have never received any communication from an outside director.

I further support Boards reporting back to investors a summary of shareholder-Director communications, actions taken in response to shareholder concerns, and if the Board did not respond to particular communications, which executives did and why.

Additional Recommendations

I would also like to see a summary report in the proxy statement of Director attendance at annual meetings, to know which Board members are forgoing their duty of representing shareholders and addressing their questions at such events.

Recommendations under proposed rule S7-14-03 should also apply to small companies and mutual fund companies, as enhanced disclosure would be of great value to all types of investors around these processes.

The proposed disclosures, while paving critical improvements to the transparency of corporate elections, are not enough to restore lost confidence in U.S. equity markets. It will be the combination of greater transparency *and* greater investor access to the proxy for Board nominations that will strengthen shareholder democracy, and Board accountability with it.

Sincerely,



John C. Harrington
President & CEO

Cc: The Social Investment Forum